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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Economic Policy Council

FROM:

David B. Low
National Intelligence Officer for
Economics

EXTENSION

NO.

NIC 030218-85

DATE

12 June 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

EXECUTIVE REGISTRY

13 JUN 85

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EXECUTIVE SECRETARY

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21 JUN 1985

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Issue for need
McFarlane only (at least)

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14 June 1985

TALKING POINTS: ECONOMIC POLICY COUNCIL

Deficiencies:

- Issues are too specific for principals only Cabinet-level meetings, compared with review of overall strategy. Should be refined by more staff work.
- Staff work preceding the meetings is too narrow--it excludes the traditional IG process and it excludes the entire national security community (NSC, CIA, DOD).
- Meetings exclude CIA.
- The meetings mix domestic and international issues--this is a waste of time. The agendas should separate these issues, or subgroups should be established to consider domestic and international issues.
- Agenda formulation is unclear--for example, why have the very serious issues relating to Argentina/Peru debt problems not been considered in the last two weeks? (Possible answer: Treasury keeping this to itself.)
- Relationship of the EPC to the NSC undefined.

Requirements:

EPC must broaden participation (CIA, NSC, DOD) and take steps to meet each of these problems. The present approach is untenable.

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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

NIC 030 28-85
12 June 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: David B. Low
National Intelligence Officer for Economics

SUBJECT: Economic Policy Council

1. To the best of my knowledge there have been four formal Economic Policy Council (EPC) meetings to date:

| <u>DATE</u> | <u>TOPIC</u> |
|-------------|---|
| May 16 | Trade Policy After Bonn |
| May 23 | Agricultural Export Enhancement Program |
| June 3 | Natural Resources Subsidy Legislation and Telecommunications Trade Legislation |
| June 5 | US-EC Trade Relations and the Section 301 Citrus Petition |

2. On a few hours notice you were invited to attend the first meeting and did so. Otherwise, we have been systematically excluded from the deliberations relating to these issues. We have played no role in the analysis of the issues preceding the meetings, have received little or no notice of the meetings, and have not been invited to attend. We have been able to obtain copies of the papers submitted to the sessions, usually after the fact, as well as minutes of the meetings.

3. In each case, had we been invited to the meetings, we would have been in a position to contribute to the discussions.

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4. Last week I met with Roger Porter, who is Director of the Office of Policy Development at the White House and also Executive Secretary of the EPC. At this meeting I stated that I found it "inconceivable" that the consideration of these issues would take place absent the benefit of the Intelligence Community's information and analysis. I pointed out that not only did the DCI have a substantive interest as a member of the Cabinet in many economic issues which have national security and foreign policy implications, but that we could not understand the willingness to make decisions without up-to-the-minute readings on the likely foreign implications. In addition, I indicated our need to understand the direction of US policy decisions so that collection and analytical capabilities could be targeted to assess foreign reactions. Mr. Porter's

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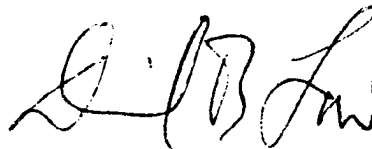
SUBJECT: Economic Policy Council

response was disappointing. In the first instance, he had the gall (or naivete) to tell me that our exclusion was "inadvertent." Beyond this, while he purported to set up some mechanisms for involving us in the issues being considered by the EPC, the effect was very much to keep us at arms length. For example, when I pointed out a variety of ways in which our information would have been useful to EPC deliberations, he eagerly requested intelligence assessments on such issues. (See memo to me after our meeting--Attachment F. These are all underway).

5. The National Security Advisor has also been excluded from these meetings. Last week John Poindexter and Roger Robinson attended the two EPC meetings uninvited. While Poindexter was "permitted" to participate, a big deal was made about Roger Robinson's presence since the meetings are "principals only." (Treasury has three representatives at each meeting.)

6. The EPC process therefore continues to have glaring deficiencies. I believe it is important that you discuss this issue further with Mr. McFarlane. Not only should the Intelligence Community be present at these sessions, but we should have the flexibility to decide whether you, the DDCI, or I are the appropriate representatives depending upon the issue. In some cases important points will need to be made by you or the DDCI. In other cases, where our interests are not overly significant, I could attend in order to contribute as appropriate and be aware of the decisions made and any follow-on tasking.

7. In all honesty, the issues considered to date have not been ones of major national security concern. However, it is only a matter of time before this changes, and the proper procedures must be in place in advance. If Mr. McFarlane is not in a position to give you any assurance about these procedures and the establishment of a proper Intelligence Community role, then I would recommend that you go directly to Secretary Baker or Mr. Regan.



David B. Low

Attachments:

- A. New GATT Round,
- B. Agricultural Export Enhancement, TS 853504
- C. Natural Resource Legislation and Canada and Proposed Legislation
- D. Japanese View of Danforth Legislation
- E. US-EC Trade
- F. Memo from Roger Porter

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SUBJECT: Economic Policy Council

NIO/Econ(David Low):rr [] 12 June 1985

NIC 030228-85

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Distribution:

with Attachments A: [] and B: TS 853504

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ATTACHMENT F

THE WHITE HOUSE

WASHINGTON

June 5, 1985

MEMORANDUM FOR DAVID B. LOW

FROM: ROGER B. PORTER *RBP*

SUBJECT: Trade Policy Studies

Our meeting this morning was very useful from my standpoint. I am anxious to ensure that we have the benefit of the important contributions you and your colleagues can make on a wide variety of international economic policy issues.

As we discussed, it would be most helpful if you could prepare three studies or analyses on trade policy issues that the Economic Policy Council is considering.

The first is an economic analysis of a U.S.-Canada Free Trade Zone. At the May 16 meeting with the President several Council members expressed a real interest in understanding more about the likely economic benefits for both the United States and Canada from a free trade zone. Interest was expressed both in the aggregate economic effects on each country (the assumption was that both would benefit but it was not clear if one would benefit more than the other) and in the effects of a free trade zone on particular sectors and industries. Which U.S. sectors would be helped most? Which U.S. sectors would be hurt most?

The second is an assessment of the prospects for the multi-pronged trade strategy outlined in the paper on "Trade Strategy Following the Bonn Economic Summit." The paper urges a three-pronged approach that involves: (a) preparations and the launching of multilateral trade negotiations; (b) plurilateral negotiations; and (c) bilateral negotiations. Much of what you said this morning indicated good prospects for such an approach.

The third is an evaluation of the paper for today's meeting on U.S.-E.C. trade relations. The paper discusses a number of issues that will get a good deal of attention in the coming weeks and months. In developing our strategy and priorities it will be helpful to know which of these issues matter most to the Europeans, which issues have the greatest prospects for flexibility on their part, and any other information that would prove helpful to U.S. policy makers in deciding what to push for and when.

I look forward very much to working closely with you.